

FAS

REFERENCE GUIDE

**Prepared by: Benefits and Entitlements Branch
November 2005**

**For additional Information: (703) 696-6301 or DSN 426-6301
FAX: (703) 696-4705 or DSN 426-4705**

<p>Federal Flexible Benefits Plan A Guide for Human Resources Specialists</p>

**Defense Civilian Personnel Management Service
Field Advisory Services Division
1400 Key Boulevard, Suite B-200
Arlington, VA 22209-5144**

FEDERAL FLEXIBLE BENEFITS PLAN
Table of Contents

References.....3

Introduction.....3

Background.....3

The Benefits.....4

THE FEDERAL FLEXIBLE BENEFITS PLAN

References

Benefits Administration Letter 03-804 of Jun 16, 2003

<http://www.opm.gov/retire/asd/htm/2003/03-804.htm>

Benefits Administration Letter 03-803 of Jun 3, 2003

<http://www.opm.gov/retire/asd/htm/2003/03-803.htm>

Benefits Administration Letter 00-215 of Aug 24, 2000

<http://www.opm.gov/retire/asd/htm/2000/00-215.htm>

Benefits Administration Letter 00-204 of Feb 14, 2000

<http://www.opm.gov/retire/asd/htm/2000/00-204.htm>

Flexible Spending Accounts-Reference Guide for HR Specialists, Nov 2005

FSAFEDS Web site <https://www.fsafeds.com/fsafeds/index.asp>

OPM Publication, The Federal Flexible Benefits Plan

http://www.opm.gov/insure/health/pretaxfehb/fedflex_plan.asp

Introduction

This Reference Guide provides basic information on the Federal Flexible Benefits Plan (FFBP) which is the umbrella under which federal employees may elect Premium Conversion (PC) which allows employees to pay the premiums for their Federal Employees Health Benefits (FEHB) from pre-tax dollars and establish a Health Care Flexible Spending Account (HCFSA) and/or a Dependent Care Flexible Spending Account (DCFSA), also from pre-tax dollars. The net result for employees with each of these benefits is a reduction in taxes paid and a corresponding increase in the employees take home or net pay.

Background

The FFBP qualifies as a “cafeteria plan” under Section 125 of the Internal Revenue Code of 1986. In the summer of 2000 OPM implemented PC, which is available to current employees and only affects the portion of the insurance premium that employees pay. In March 2003 OPM awarded a contract to Sykes Health Plan Services (SHPS), based in Louisville, Kentucky, to serve as the administrator of the new Flexible Spending

Accounts under the FFBP. In April of 2003 OPM issued instructions for the implementation of those new benefits.

The Benefits

Premium Conversion (PC): PC reduces an employee's taxable income by the amount of health insurance premiums an employee pays. The benefit is automatic for all new employees. Employees who wish to opt out must complete a waiver form.

There are two reasons employees may wish to waive PC. Employees who waive PC retain the right to cancel their FEHB or change from self and family to self only at any time for any reason. Employees participating in PC can only cancel their FEHB or change to self only if they have a qualifying life event (QLE). This flexibility is generally of little or no value compared to the tax savings of PC.

The second reason is that PC may result in a very small reduction in Social Security benefits because the tax base on which social security taxes are paid is lower. FERS employees who are covered by FERS and pay no Federal Income taxes may wish to investigate further.

Health Care Flexible Spending Accounts (HCFSA): This program reduces taxable income through pre-tax allotments. The employee establishes an account used to pay for certain health care expenses that are not reimbursed by any other source and not claimed in the participant's income tax return. Once eligible expenses are incurred and paid for, the employee may claim reimbursement from their account. Employees eligible for FEHB (even if not enrolled) may elect a HCFSA. A new election is required each year during the same period as the FEHB Open Season. Employees may allot any amount up to the current annual limit of \$4,000. The annual limit will increase to \$5,000 in 2006.

Dependent Care Flexible Spending Accounts (DCFSA): This program provides the same tax advantages as a HCFSA. Employees may elect a DCSFA and through pre-tax allotments pay for eligible dependent care expenses up to a current maximum annual reimbursement of \$5,000. As with the HCFSA employees can claim reimbursement from their account as they incur and pay for eligible expenses. All federal employees of executive branch agencies (except certain intermittent employees whose appointment is six months or less) may elect a DCFSA if they have an eligible dependent. Eligible dependents include any dependent claimed as a dependent on the employee's tax return and who is under age 13 or incapable of self support. Eligible expenses include child or adult day care.

Full details on the HCFSA and the DCFSA can be found on the SHP Administrator's web site at <https://www.fsafeds.com/fsafeds/index.asp>.